CANADIAN GOLDALE CORPORATION LIMITED

ANNUAL REPORT 1969

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M. Senn

CANADIAN GOLDALE CORPORATION LIMITED

DIRECTORS OF THE COMPANY

Percy C. Finlay, Q.C., Toronto

Arthur H. Honsberger, Brampton

Kenneth A. Roberts, Toronto

Mark M. Tanz, Toronto

429-0432

John L. Toole, Montreal

Charles F. Watson, Brampton

Burton Winberg, Toronto

OFFICERS OF THE COMPANY

Kenneth A. Roberts
President and General Manager

Mark M. Tanz
Vice-President

Charles F. Watson
Vice-President

Percy C. Finlay, Q.C.
Secretary-Treasurer

Stanley A. Senn, C.A.
Comptroller

SOLICITORS

Holden, Murdoch, Walton, Finlay, Robinson.
2402 Bank of Nova Scotia Building
Toronto, Ontario

AUDITORS

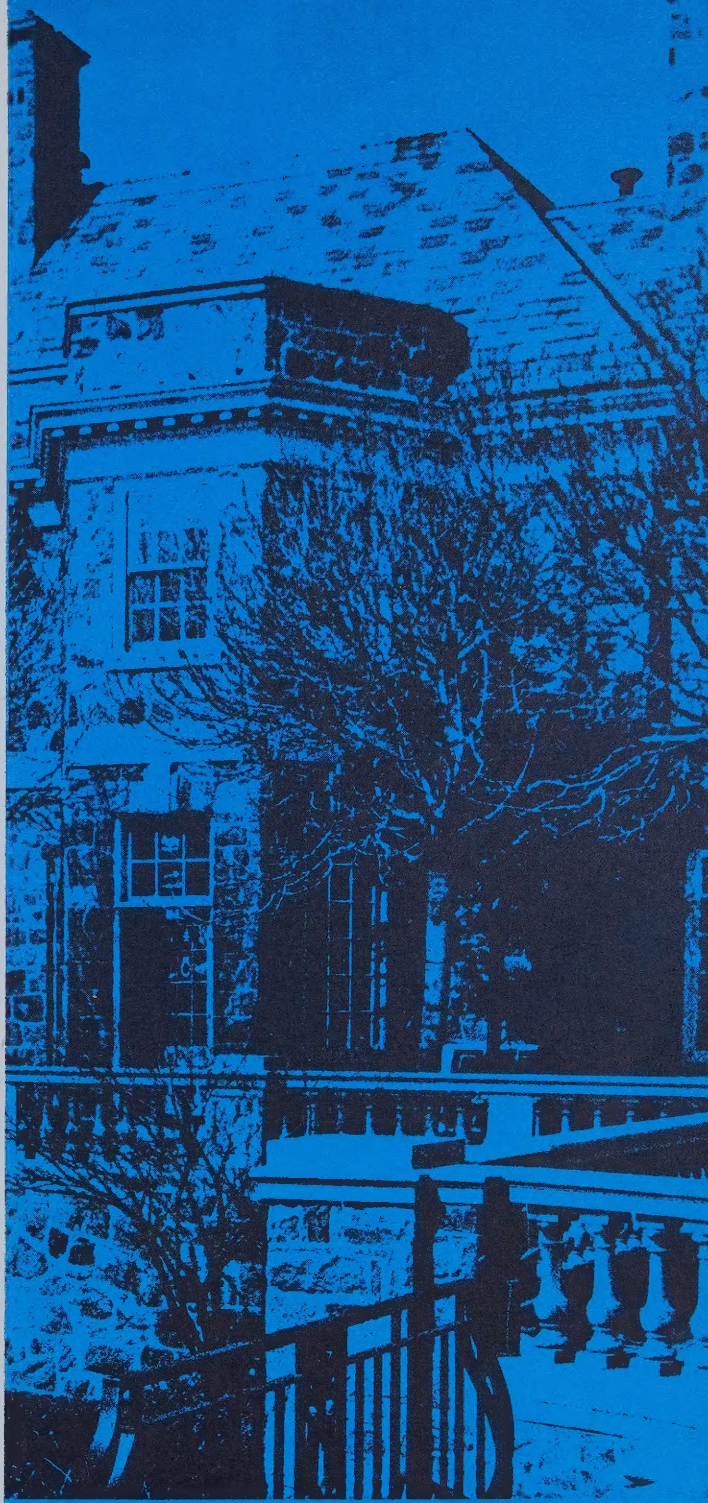
Collins, Love, Eddis, Valiquette & Barrow,
Chartered Accountants
Toronto, Ontario

REGISTRAR AND TRANSFER AGENT

Canada Permanent Trust Company,
Toronto, Ontario

HEAD OFFICE

2402 Bank of Nova Scotia Building
44 King Street West
Toronto, Ontario



Report from the President

TO OUR SHAREHOLDERS:

Your Directors are pleased to submit herewith the Annual Report for Canadian Goldale Corporation Limited, together with the consolidated financial statements of your Company and its subsidiaries for the year ending December 31, 1969.

Major changes have taken place during 1969 in both the corporate and financial structure of your Company, and further important developments continue to take place in 1970 which will be referred to in this report.

FINANCIAL HIGHLIGHTS FOR 1969

Canadian Goldale's growth during the year in both profits and total assets was most satisfactory. The consolidated net profit of your Company for the year ended December 31, 1969 totalled $744,000 or 33¢ per share, based on an average of 2,247,000 shares outstanding during the year, as compared to $383,000 or 32¢ per share, based on an average of 1,201,000 shares outstanding during the previous year. This profit includes the income of all subsidiaries plus our share of the equity of the profits of affiliated companies.

On reviewing the financial statements it is important to note that the profit from operations for the year totalled $1,050,741 or 47¢ per share, as compared to $18,776 or 2¢ per share on a comparable basis for the previous year. Further, one should note that the operating gross income rose from $1,619,000 to $4,289,000 during the year, and that the total assets at year end exceeded $53,756,000 as compared to $18,960,000 in the previous year.

CORPORATE FINANCING

In July, 1969, Canadian Goldale sold by way of private placement with leading Canadian financial institutions, a total of $4,600,000, 8% unsecured convertible ten year debentures, which debentures are convertible into common shares on the basis of one common share for every $12 of principal. Subsequent to year end, a further $400,000 of these debentures were sold bringing the total principal amount outstanding at this time to $5,000,000.

We would point out the very strong cash position of your company at year end, and it is your Directors' intention to maintain a policy of keeping adequate liquidity in our operations in the years ahead. We would also report that during 1969, long term mortgage financing was arranged with major pension funds, banks and trust companies in order that your company would be in a position to continue its extensive construction program without interruption.

CANADIAN GOLDALE PURCHASE OF AETNA

During 1969, Canadian Goldale acquired 93.4% of the outstanding shares of Aetna Investment Corporation Limited by way of a share exchange. As a result of this transaction, your company, through Aetna owns 100% of the shares of Millmink Developments Limited, Central Ontario Trust & Savings Corporation, and a 37% interest in Commonwealth Savings & Loan Corporation. Through the Aetna acquisition your company has also acquired exceptionally valuable lands and income producing properties in Metropolitan Toronto, such as the Albion Mall Centre, a regional shopping centre situated on 27 acres of land in the Borough of Etobicoke, and the Forest Hill Golf Club property located in the Borough of North York, which lands are immediately available for the development of approximately 2,600 apartment suites. The development of both of these properties will be referred to later in this report.

GOLDALE INNS AND RESTAURANTS LIMITED

In January of 1969, your company purchased a 75% interest in Goldale Inns and Restaurants Limited, which company holds the exclusive rights to operate and franchise Big Boy Family Restaurants and Roy Rogers Roast Beef Restaurants in Canada. These franchise rights were acquired from the Marriott Corporation of Washington, D.C., one of the largest firms in the world in food service to the public.

As of the date of this report, twenty-six Big Boy franchises have been sold to private investors across Canada, of which two are now company owned and operated, and one unit is being

completed. In addition, twenty-six Roy Rogers Restaurants have been franchised of which two outlets are now operating. Another will be opened in May, 1970 and we expect that several more will open prior to year end. Your Board of Directors is pleased with the growth experienced by Goldale Inns during 1969, and is confident that this part of our activities will contribute substantially to profits in the years ahead.

AFFILIATED COMPANIES

Your Company during the year increased its investment in Peel-Elder Limited to approximately 20% of its outstanding shares, and we are pleased to report that in 1969 Peel-Elder had the most successful year in its history, earning $939,000 as compared to $786,000, in 1968. We continue to look most favourably upon our investment in this company which is in a strong financial position and has developed an impressive record of growth in all phases of land development, housing, apartments, commercial and industrial projects.

We are further pleased to be able to report that our subsidiaries and affiliated companies in both real estate and in the loan and trust field had a profitable year. In light of the amendments to the Loan and Trust Act recently legislated by the Federal Government the outlook for these companies is particularly bright. They should experience important growth and profitability in the years ahead.

Subsequent to December 31, 1969, Canadian Goldale purchased 38% of the outstanding shares in Northland Trust Company and obtained options on a further 118,700 shares, which if exercised would bring our total investment in Northland Trust to over 73% of the shares outstanding. The benefits being derived through the current working arrangement now existing between Commonwealth Savings & Loan Corporation, Central Ontario Trust & Savings Corporation and Northland Trust Company will bring substantial improvements in services to depositors, and undoubtedly will improve the earnings in each of these companies during 1970.

Commonwealth Savings & Loan, Central Ontario and Northland Trust, which are not consolidated on your company's balance sheet had combined assets of approximately $70,000,000 as at December 31, 1969.

1970 CONSTRUCTION PROGRESS

Your company and its subsidiaries are now involved in substantial construction programmes in and around Metropolitan Toronto. At this time, we have under construction a 200,000 square foot addition to our regional shopping centre which will be known as Shoppers' World of Etobicoke and approximately 320 condominium town houses, a large number of which are presently being offered for sale.

Also worthy of note, is the fact that Graydon Hall Estates Limited has commenced construction on phase one of the condominium apartment project being built on the Forest Hills Golf Club property, as your company through its subsidiaries will share in 50% of the construction profits earned in this project.

During the latter part of 1970, your Company intends to commence construction on two neighbourhood shopping centres in the Borough of Scarborough and an additional 400 condominium town houses. We also anticipate that phase two of the Forest Hills Golf Club development should be under way by the end of this year.

OUTLOOK FOR 1970

As mentioned previously, your Board of Directors is pleased with the progress of your company during 1969. With the current program of construction now under way, and with the combined integration of several of our affiliated companies now completed, your Board of Directors is confident that the earnings of your company will progressively and significantly increase in both 1970 and 1971.

On behalf of the Board

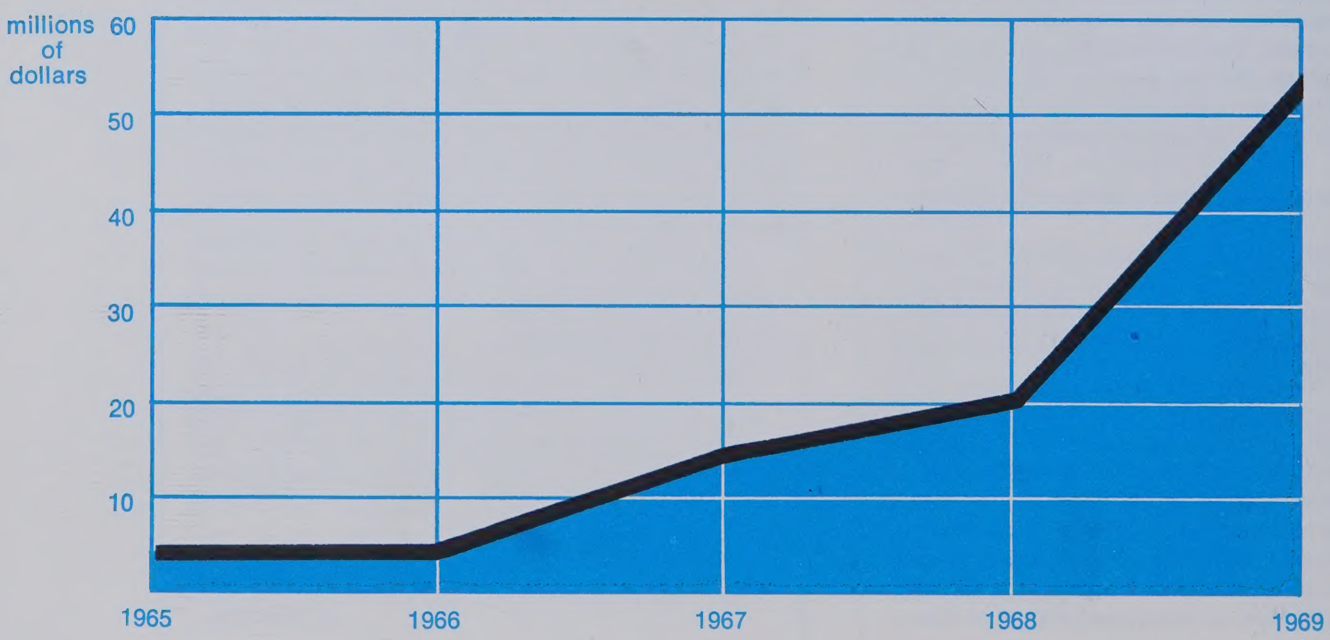
K A Roberts

KENNETH A. ROBERTS
President

BOARD OF DIRECTORS

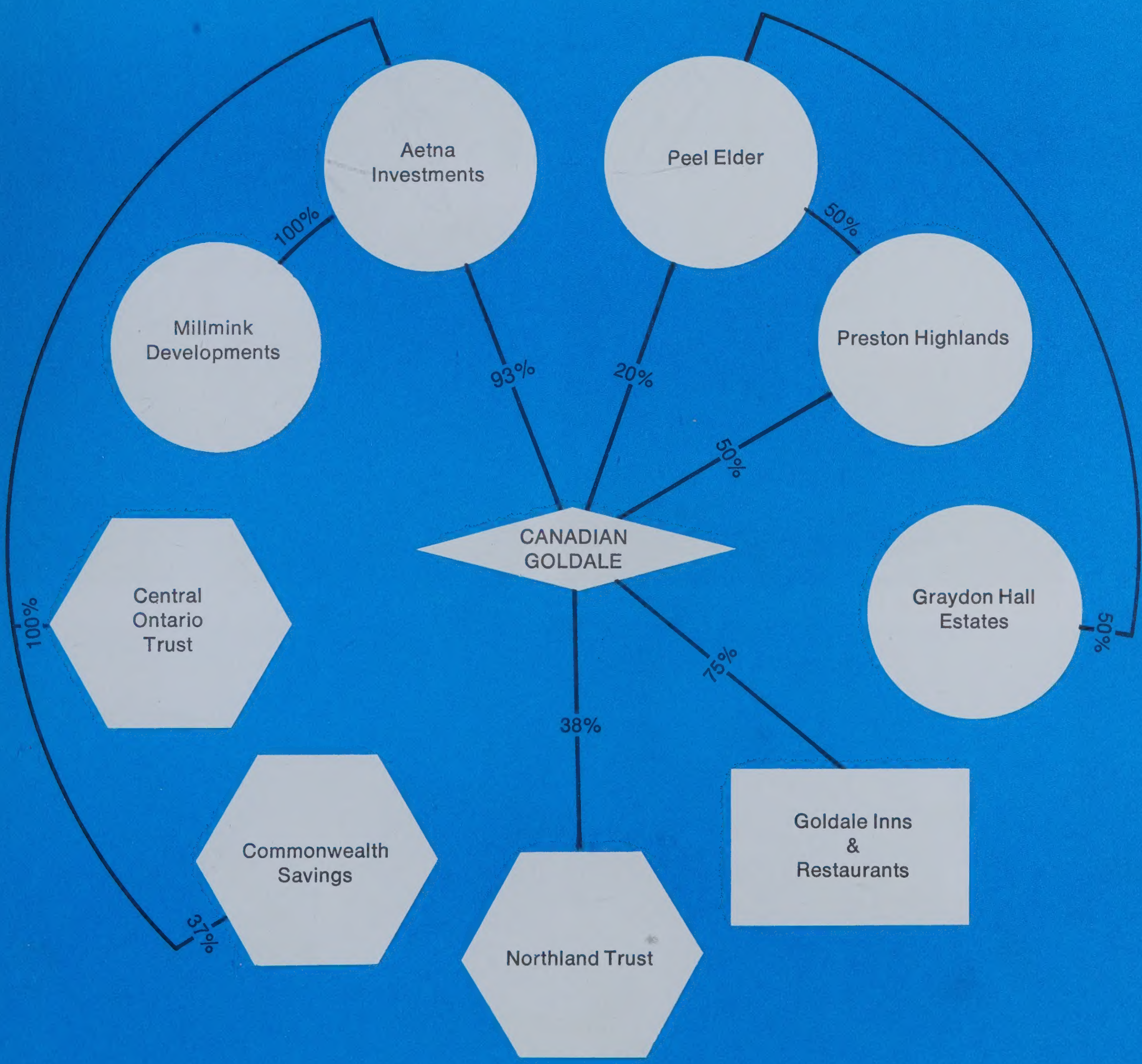
Left to Right:
John L. Toole
Mark M. Tanz
Burton Winberg
Kenneth A. Roberts
Charles P. Watson
Arthur H. Honsberger
Percy C. Finlay, Q.C.

TOTAL ASSETS



Canadian Goldale Corporation Limited

its Subsidiaries and affiliated Companies



The interior and exterior of Roy Rogers Restaurants

Comfort and fine decor are evident throughout JB's Big Boy Family Restaura

JB's Big Boy Family Restaurants

Roy Rogers Roast Beef Restaurants

... a new innovation in eating pleasure

"BOB'S" — home of the internationally famous Big Boy, the original double-deck hamburger, has become a veritable legend among millions of restaurant goers.

Now in its 37th year of operation, Bob's Big Boy Family Restaurant was founded by Robert C. "Bob" Wian of the U.S.A. with the sole philosophy of serving "the best food at moderate prices, in spotless surroundings, with courtesy and hospitality". This philosophy, which has never varied, is largely responsible for the $450,000,000 in annual sales volume enjoyed by over 633 franchise units operating throughout this continent.

The expansion of Big Boy Family Restaurants has already begun to take place across Canada. To date, 26 Big Boy franchises have been sold to private investors including Jean Beliveau Inc., who has agreed to build and operate a minimum of five JB's Big Boy Family Restaurants in the Province of Quebec and the City of Ottawa. As mentioned previously in this report, two Company owned units are now operating, and one franchised unit is being completed with its opening planned for early May.

Roy Rogers Roast Beef Sandwich Restaurant was introduced to the U.S.A. by the Marriott Corporation slightly more than a year ago and is rapidly earning nationwide identity. Offering a limited menu of popular foods to the public, this type of fast-food service restaurant can be fully operative within a few months after the commencement of construction.

During 1969 your Company negotiated the franchising of 26 Roy Rogers Restaurants of which two outlets are now operating, one of which is Company owned and the other is 25% Company owned. Another has been scheduled for opening in May, 1970. Like Big Boy Family Restaurants, it is anticipated that several more Roy Rogers Restaurants will open prior to year-end.

Through the culmination of rigid food standards, strict operating controls, careful site selection and extensive management training, Goldale Inns and Restaurants Limited has moved successfully into the fast-food restaurant field.

CANADIAN GOLDALE CORPORATION LIMITED and Its Subsidiaries
(Incorporated under the laws of Ontario)

CONSOLIDATED BALANCE SHEET DECEMBER 31, 1969

	1969	1968 (Re-stated)
ASSETS		
Cash and bank deposit receipts	$ 5,028,844	$ 4,402,077
Accounts and notes receivable	640,707	768,614
Due from subfranchisees (note 2)	253,868	
Mortgages receivable and balances due under agreements of sale (note 3)	6,300,145	825,000
Land held for development and sale, at cost (note 4)	10,017,809	957,965
Investment in joint realty developments (note 5)	5,883,597	129,344
Income-producing properties at cost less accumulated depreciation of $296,662 (1968, $168,070) (note 6)	15,608,376	10,320,545
Income-producing properties — construction in progress, at cost (note 7)	1,781,695	
Other fixed assets at cost less accumulated depreciation of $52,507 (1968, $3,020)	387,112	4,404
Investment in subsidiary company not consolidated (note 1)	1,221,467	
Investment in affiliated company (note 8)	3,131,713	
Investment in other companies including listed shares with a quoted market value of $4,064,330 (1968, $5,701,900) (note 9)	2,879,670	1,472,598
Prepaid expenses and sundry assets	620,928	79,466
	$53,755,931	$18,960,013

AUDITORS' REPORT

To the Shareholders,
Canadian Goldale Corporation Limited.

We have examined the consolidated balance sheet of Canadian Goldale Corporation Limited and its subsidiaries as at December 31, 1969 and the consolidated statements of retained earnings, income and source and use of cash for the year ended on that date. For Canadan Goldale Corporation Limited and those subsidiaries of which we are the auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such inquiries and examinations as we considered necessary in order to accept for purposes of consolidation the reports of the other auditors.

	1969	1968 (Re-stated)
LIABILITIES		
Bank indebtedness (note 10)	$ 1,675,444	$ 224,710
Accounts payable and accrued expenses	1,613,876	210,149
Income taxes payable (note 11)	526,127	
Tenants' rental deposits	129,616	121,785
Franchise fees payable	389,880	
Mortgages payable and amounts due under agreements to purchase (note 12)	14,797,914	10,190,870
Notes and debentures payable (note 13)	10,600,000	
Deferred income taxes	568,198	
Deferred profit on land sale (note 16)	615,690	
Minority shareholders' interest in assets of subsidiary companies	339,680	
Capital stock (note 17)		
Authorized		
7,500,000 shares of no par value — consideration not to exceed $30,000,000		
Issued		
2,858,124 shares	22,044,034	7,770,226
Retained earnings	455,472	442,273
	22,499,506	8,212,499
	$53,755,931	$18,960,013

The accompany notes are an integral part of these financial statements.

Approved on behalf of the Board, KENNETH A. ROBERTS director

MARK M. TANZ director

In our opinion, subject to the accounting treatment of the matters referred to in notes 14(b) and 16(b), these financial statements present fairly the financial position of the companies as at December 31, 1969 and the results of their operations and the source and use of their cash for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year (except for the change with which we concur — see note 6).

Toronto, Canada,
March 17, 1970.

COLLINS, LOVE, EDDIS, VALIQUETTE & BARROW
CHARTERED ACCOUNTANTS.

CANADIAN GOLDALE CORPORATION LIMITED and Its Subsidiaries

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968 (Re-stated)
GROSS REVENUE		
Rentals	$ 1,826,045	$ 1,483,114
Investment income	629,631	62,817
Land sales	1,129,525	
Franchise and restaurant sales	689,861	
Earned service charges	14,805	73,930
	$ 4,289,867	$ 1,619,861
NET OPERATING INCOME		
Net rental income before depreciation	$ 164,272	$ 184,285
Investment income	629,631	62,817
Profit on land sales	870,602	
Franchise and restaurant income	171,372	
Equity in income of subsidiary company not consolidated	30,402	
Equity in income of Peel-Elder Limited	167,845	
	2,034,124	247,102
LESS:		
Administrative and general expenses	445,936	71,797
Interest expense	321,851	
Miscellaneous	20,661	47,676
Depreciation	154,906	108,853
Minority interest in income of subsidiaries	39,939	
	983,383	228,326
PROFIT FROM OPERATIONS	1,050,741	18,776
Profit on sale of investments	162,313	464,491
Profit on disposal of mine assets	136,937	
Provision for losses on discontinuance of finance business	(118,117)	(99,545)
Re-organization expense	(7,500)	
INCOME BEFORE INCOME TAXES	1,224,374	383,722
Income taxes	479,430	
NET INCOME FOR THE YEAR	$ 744,944	$ 383,722

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968 (Re-stated)
BALANCE, BEGINNING OF THE YEAR		
As previously reported	$113,715	$ (63,428)
Adjustment of prior years' depreciation (note 6)	328,558	121,979
As re-stated	442,273	58,551
Net income for the year	744,944	383,722
Loss in subsidiary company due to cancellation of previous year's joint venture agreement	(47,881)	
Write-off of portion of excess cost of shares of subsidiary companies over book value of underlying assets (note 14(b))	(683,864)	
Balance, end of the year	$455,472	$442,273

CONSOLIDATED STATEMENT OF SOURCE AND USE OF CASH
FOR THE YEAR ENDED DECEMBER 31, 1969

	1969	1968 (Re-stated)
SOURCE OF CASH		
Current operations		
Net income for the year	$ 744,944	$ 383,722
Depreciation	154,113	108,853
Other charges not requiring cash outlay	212,275	14,400
	1,111,332	506,975
Issue of 8% unsecured convertible redeemable debentures	4,600,000	
Issue of common shares	315,000	4,907,500
Issue of subsidiary company shares to minority shareholders	125,000	
Deferred profit on land sale	3,221,865	
	9,373,197	5,414,475
USE OF CASH		
Increase in mortgages receivable and balances due under agreements of sale	3,900,568	41,000
Purchase of land	2,072,385	125,965
Investments in joint realty developments	325,396	102,701
Additions to income-producing properties	37,423	16,760
Construction in progress	171,695	
Additions to other fixed assets	400,157	3,894
Cost of additional shares of non-consolidated subsidiary and affiliated company	857,367	
Purchase of other investments	1,239,227	845,590
Repayment of mortgage principal	290,905	248,556
Repayment of notes and loans of subsidiaries	619,203	
Net change in other assets	282,838	(470,688)
	10,197,164	913,778
Increase (decrease) in cash	$ (823,967)	$ 4,500,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1969

1. PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the following subsidiaries:

Aetna Investment Corporation Limited (93.3% owned)

Goldale Acceptance Limited (100% owned)

Goldale Inns and Restaurants Limited (75% owned)

Millmink Developments Limited (100% owned by Aetna Investment Corporation Limited)

Central Ontario Trust & Savings Corporation, a wholly-owned subsidiary of Aetna Investment Corporation Limited, is not included in these financial statements since it would not be appropriate to include the assets and liabilities of a trust and savings corporation. The investment in this non-consolidated subsidiary is reflected in the balance sheet at cost plus the company's share of net income since acquisition.

2. DUE FROM SUBFRANCHISEES AND FRANCHISE INCOME

The company has adopted the policy of taking into income the entire sales price in the year that franchise rights are sold. On this basis, in connection with sales income of $315,900 with down payments of $97,437 received in cash, profits of $151,875 have been taken into income for 1969.

In addition to income from the sale of franchise rights, the company is entitled to receive royalties based on a percentage of gross sales from the restaurant operations of the subfranchisees.

3. MORTGAGES RECEIVABLE AND BALANCES DUE UNDER AGREEMENTS OF SALE

Mortgages receivable	$1,759,570
Balances due under agreements of sale	4,540,575
	$6,300,145

Approximately $420,000 of these balances is due in the year ending December 31, 1970, $103,000 in the year ending December 31, 1971 and the balance subsequent to that date.

Included in the balances due under agreements of sale is $4,477,000 due December 4, 1974. The agreement of sale provides for earlier principal payments by the purchaser.

4. LAND HELD FOR DEVELOPMENT AND SALE

Land carried at $4,663,382 is under option for $5,461,500 plus a share of profits from the sale of approximately 1,300 dwelling units to be constructed by the optionee.

5. INVESTMENT IN JOINT REALTY DEVELOPMENTS

(a) The company is a partner in three joint realty developments under which approximately 320 dwelling units are to be constructed over a planned period of 12 months. The company is carrying in its accounts only the advances made to these joint ventures ($504,000). At December 31, 1969, the assets of these joint ventures were $2,284,000 and the liabilities were $1,624,000.

(b) The company is an equal partner with Peel Village Developments Co. Limited, a subsidiary of Peel-Elder Limited, for the acquisition and development of land for commercial, industrial and residential purposes near Preston, Ontario. The company is carrying in its accounts advances of $431,000 made to this joint venture. At December 31, 1969, the assets of the joint venture were $2,218,000 and the liabilities were $1,356,000.

(c) The investment in joint realty developments also includes $4,824,000 allocated upon consolidation to the company's participation in profits to be derived from the construction and sale of condominium units in Forest Hills, Metropolitan Toronto (to be amortised over the sale of 2,600 units) (see note 14(a)).

6. INCOME-PRODUCING PROPERTIES

Depreciation on the building portion of these properties was previously recorded on a straight-line basis. In 1969 the company adopted the sinking fund method of depreciation under which an increasing amount, consisting of a fixed annual sum together with interest compounded at the rate of 5% per annum, is charged to income so as to fully depreciate the buildings over a 45 year period. The accounts for prior years have been restated so as to record the depreciation on this basis, the effect of such change being an increase in retained earnings as at December 31, 1968 of $328,558 and an increase in net income for 1968 of $206,579.

7. CONSTRUCTION IN PROGRESS

The company is engaged in an expansion of Shoppers' World, Etobicoke. In addition to the land and buildings carried in the balance sheet at $1,781,695, an estimated $2,000,000 will be required to complete the project.

8. INVESTMENT IN AFFILIATED COMPANY

Commonwealth Savings & Loan Corporation — 143,069 shares at book value (quoted market value $1,752,595)	$3,131,713

9. INVESTMENT IN OTHER COMPANIES

The investment in other companies includes 213,920 shares of Peel-Elder Limited, stated at cost of $2,534,445 plus $167,845 being the company's share of the net income of Peel-Elder Limited for the year ended December 31, 1969. The acquisition of additional shares of Peel-Elder Limited during 1969 increased the company's holdings to a point where it was appropriate to take up its share of Peel-Elder's net income. (Quoted market value of shares of Peel-Elder Limited $3,897,000).

Because of the number of shares involved, the quoted market values mentioned in notes 8 and 9 are not necessarily indicative of the amount which would be realized if they were to be sold.

10. BANK INDEBTEDNESS

Bank indebtedness is partly secured by pledging of investments.

11. INCOME TAXES

No provision has been made for income taxes, if any, which may arise in connection with amounts realized from investment transactions, since it is impracticable to estimate the amount, if any, of such taxes.

12. MORTGAGES PAYABLE AND AMOUNTS DUE UNDER AGREEMENTS TO PURCHASE

Mortgages on income-producing properties	$11,542,664
Mortgages on land	508,800
Balances owing under agreements to purchase	2,746,450
	$14,797,914

Mortgages on income-producing properties bear interest at rates from 6½% to 7% and mature at various dates from 1975 to 1995.

Principal amounts repayable within the next five years under the above mortgages and purchase agreements are as follows:

1970	$ 676,403
1971	1,596,003
1972	235,840
1973	245,672
1974	254,000

13. NOTES AND DEBENTURES PAYABLE

(a) Notes payable of Aetna Investment Corporation Limited	$6,000,000

The notes payable do not bear interest until May 1, 1971 and thereafter at the rates of 3¼% from May 1, 1971 to April 30, 1972, at 5% from May 1, 1972 to April 30, 1974 and at 7% from May 1, 1974 to April 30, 1976, with interest payable half-yearly

The notes are payable as follows:

April 30, 1970	$100,000
1971	200,000
1972	250,000
1973	500,000
1974	500,000
1975	500,000
1976	3,950,000
	$6,000,000

The notes are secured by shares of Millmink Developments Limited. In January, 1970, Aetna Investment Corporation Limited repaid $900,000 of principal to its noteholders.

(b) 8% unsecured convertible redeemable debentures, due July 15, 1979 . . . . $4,600,000

The debentures mature July 15, 1979, and are convertible into common shares of the company at the rate of one common share for every $12.00 of principal up to July 14, 1979. The debentures are redeemable by the company during the period July 16, 1974 to July 14, 1978. The aggregate principal to be redeemed in any 12 month period may not exceed $500,000.

In January, 1970 the company issued an additional $400,000 principal amount of these debentures.

14. EXCESS OF COST OF SHARES OF SUBSIDIARIES OVER BOOK VALUE OF UNDERLYING ASSETS

(a) On the purchase of Millmink shares by Aetna in 1969, there was an excess price paid of $5,707,000 over the book value of underlying assets. Subsequently, the value placed by the directors of Canadian Goldale on the Aetna shares acquired included a further excess of $11,255,000 over the book value of the underlying assets. This total amount of $16,962,000 was attributed to assets of the subsidiaries and is reflected in the consolidated financial statements at December 31, 1969 as follows:

Land held for development and sale	$ 4,416,000
Investment in joint realty developments . . .	125,000
Income-producing properties	1,704,000
Income-producing properties — construction in progress	1,487,000
Investment in associated company	1,098,000
Participation in construction and sale of condominium units (to be amortized over sale of 2,600 units)	4,824,000
	13,654,000
Reduction of deferred profit on land sale . . .	2,606,000
Written off to retained earnings	684,000
Minority shareholders' interest in amount written off	18,000
	$16,962,000

(b) It is the policy of the company to write off the above excess as the assets are sold or otherwise disposed of, and to charge these write-offs annually to retained earnings, the amount of the charge in 1969 being $684,000. The Canadian Institute of Chartered Accountants in a research recommendation dated December, 1968, has concluded that items of this nature should be included in the annual determination of income.

15. FRANCHISE AGREEMENTS

Pursuant to agreements dated January 15, 1969, the company holds the exclusive Canadian rights to licence itself and others to use the Big Boy system and the Roy Rogers system of restaurant operations. The company is obligated, under the agreements, to open at least 50 Big Boy Restaurants by September, 1978 and 68 Roy Rogers restaurants by January, 1973. As at March 15, 1970, the company has sold franchises to open 26 Big Boy restaurants and 26 Roy Rogers restaurants.

16. DEFERRED PROFIT ON LAND SALE

(a) Under the terms of a land sale in 1969 the company received $790,625 in cash and the balance of $4,477,000 is due on December 4, 1974, with interest at 8% per annum. The agreement of sale also provides for earlier principal payments as construction proceeds by the purchaser. Since the period of development for these lands is estimated to be from 3 to 5 years, management has elected that the profit on the transaction should be taken into income in equal instalments over a period of 5 years. The amount taken into consolidated income in 1969 in accordance with this policy was $751,500.

(b) Generally accepted accounting principles recommend that the profit on this transaction be taken into income on a cash collected basis. Had this basis been used, the consolidated net income for the year would have been reduced by $88,753 and the consolidated retained earnings at the end of the year would have been reduced by $7,987.

17. CAPITAL STOCK

By supplementary letters patent dated June 3, 1969, the authorized capital stock of the company was increased from 1,000,000 shares to 7,500,000 shares and the maximum consideration therefor was increased from $8,000,000 to $30,000,000. The 565,180 old shares outstanding at that date were exchanged on a 3 for 1 basis for 1,695,540 new shares.

Prior to the stock split, 30,000 old shares of capital stock (equivalent to 90,000 new shares) were issued for $315,000 cash.

In June, 1969, 1,162,584 new shares were issued to the shareholders of Aetna Investment Corporation Limited, at a value placed thereon by the Board of Directors of $12.00 per share (total $13,958,808), in exchange for 2,325,188 shares of Aetna Investment Corporation Limited.

During the year, an option to purchase 30,000 shares of capital stock at $12.00 per share was granted to an officer of the company. This option is exercisable on or before July 29, 1974.

The general manager of Goldale Inns and Restaurants Limited holds an option on 30,000 shares of the company at $10.83 a share, granted in January, 1969. The option is exercisable over a period of 5 years from that date, with the optionee having the right to take up not more than 20% of the total option with respect to each year of employment.

125,000 unissued shares are reserved in connection with options which may be granted to officers and key employees of the company and its subsidiaries.

416,667 unissued shares are reserved for possible conversion of the 8% unsecured convertible, redeemable debentures.

18. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid to directors and senior officers by the company and its subsidiaries in 1969 was:

Directors and senior officers	$44,022
Senior employees (not directors or officers)	31,477

19. EVENTS SUBSEQUENT TO DECEMBER 31, 1969

Investment in other companies

In January, 1970, the company purchased 68,000 shares of the outstanding capital stock of Northland Trust Company, representing approximately 38% of the shares issued. The purchase price of these shares was $1,000,000 of which $900,000 was paid in cash. The balance is represented by an interest note due January 15, 1971.

The company holds options on an additional 118,769 shares of Northland Trust Company. If these options were exercised, the company would own approximately 73% of the then-outstanding shares.

strength in unity....

Commonwealth Savings & Loan Corporation
Central Ontario Trust & Savings Corporation
Northland Trust Company....

COMMONWEALTH SAVINGS & LOAN CORPORATION

Commonwealth Savings & Loan Corporation operates throughout the Province of Ontario with branches in Toronto, Cornwall, Kingston, Ottawa and Windsor. In the past 10 years Commonwealth has consistently increased its growth in deposits while maintaining its profitability, and at present has over 45,000 depositors and total assets in excess of $37,000,000. Consecutive dividends of over $635,000 have been paid to shareholders over the past 7 years.

Shareholders of the Company have recently approved the change in the name of the Company to Central Ontario Savings & Loan Corporation as the first step towards a planned integration of Commonwealth and Central Ontario Trust & Savings Corporation. At present, 37% of the outstanding shares are owned by Aetna Investment Corporation Limited.

CENTRAL ONTARIO TRUST & SAVINGS CORPORATION

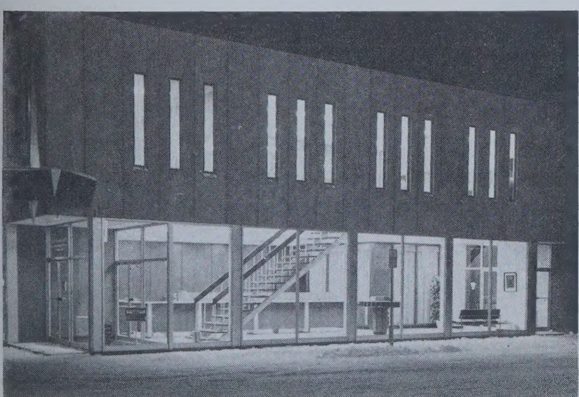
Central Ontario Trust was incorporated in 1964 and has operated since that time in the Town of Oshawa. The Company is a member of the Canada Deposit Insurance Corporation.

Specializing in the fields of deposits, mortgages, estates, trusts and agency business Central Ontario has grown steadily over this period with total assets as at December 31st, 1969 in excess of $12,000,000. Estates, Trusts and Agencies under administration at the end of 1969 totalled $1,163,000.

All of the issued and outstanding shares of the Company were acquired in 1969 by Aetna Investment Corporation Limited.

NORTHLAND TRUST COMPANY

Northland Trust Company commenced operations in 1961 with its Head Office in Timmins, Ontario, and has since that time opened branches in North Bay, Kapuskasing, Kirkland Lake and Sudbury. From a modest beginning, the Company has established itself throughout



Northern Ontario, and at this time, total assets exceed $23,000,000. During 1969, deposits increased by 27% to $20,417,063, which is indicative of the growing confidence placed in the Company by the residents in the Northland Trust communities.

As reported in the Northland Annual Report, the net income for the period ending October 31, 1969 totaled $105,604 or 59¢ per share, as compared to $5,183 or 4¢ per share for the same period in 1968.

Canadian Goldale at present owns 38% of the outstanding share capital, and has options on additional stock, which if exercised, will increase our equity to approximately 73% of the outstanding capital stock.

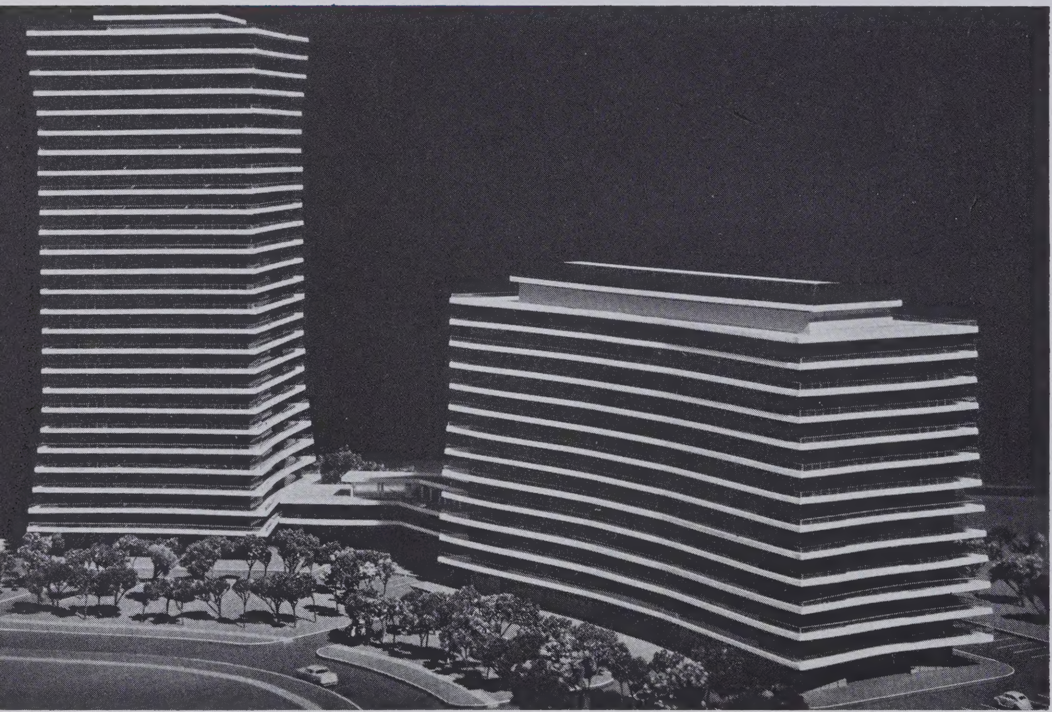
SUMMARY

While the three companies continue to operate independently at this time, the financial strength and profitability of all three has been greatly enhanced by Canadian Goldale's participation in their equity.

By December 31st, 1970, we estimate that total assets for these companies will exceed $80,000,000 and that we will be servicing in excess of 75,000 customers throughout Ontario.

Undoubtedly, we can look forward to a bright and continuing success story in the years to follow!

Under Construction . . .



Forest Hills Condominium Apartments

Neighbourhood Shopping Centre, Scarborough, Ontario

'Cloisters West' Condominium Town Houses, Etobicoke, Ontario